

NATURAL RESOURCES

Overview

Background. The Resources Agency is responsible for the state's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources. The Resources Agency is led by the Secretary for Resources and the agency oversees the following departments, commissions, conservancies, and other boards and authorities.

Departments:

- California Conservation Corps
- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Boating and Waterways
- Department of Parks and Recreation
- Department of Water Resources

Commissions:

- State Lands Commission
- California Coastal Commission
- San Francisco Bay Conservation and Development Commission
- Delta Protection Commission
- Energy Resources Conservation and Development Commission
- Native American Heritage Commission

Conservancies:

- California Tahoe Conservancy
- State Coastal Conservancy
- Santa Monica Mountains Conservancy
- San Joaquin River Conservancy
- Coachella Valley Mountains Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy

Other Boards and Authorities:

- Special Resources Programs (Tahoe Regional Planning Agency, Yosemite Foundation Program, and Sea Grant Program)
- Colorado River Board
- Wildlife Conservation Board
- California Bay-Delta Authority

Governor's Budget. The Governor's budget proposes \$3.5 billion to support the Resources Agency in 2005-06. Proposed budget year expenditures are approximately 33 percent less than the current year, primarily due to a reduction in resources bond funds available for appropriation.

The General Fund support for the Resources Agency is expected to increase by over \$200 million, due to increased funding for debt service payments, additional funding to reimburse local governments for the lining of the All-American Canal, and program augmentations at the Department of Water Resources and the Department of Forestry and Fire Protection.

Total State Fund Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
State Operations	\$3,103,329	\$2,963,406	-\$139,923	-4.5
Local Assistance	710,329	328,044	-382,285	-53.8
Capital Outlay	1,374,718	199,113	-1,175,605	-85.5
Total	\$5,188,376	\$3,490,563	-\$1,697,813	-32.7
Funding Source				
General Fund	\$1,067,272	\$1,269,828	\$202,556	19.0
Special Funds	1,820,472	1,624,135	-196,337	-10.8
Bond Funds	2,300,632	596,600	-1,704,032	-74.1
Total	\$5,188,376	\$3,490,563	-\$1,697,813	-32.7

Issues

Unallocated Reductions. The Governor is proposing unallocated General Fund reductions as part of the budget proposal. The administration is directing department heads to determine the best way to make the reductions internally. Therefore, no details have been provided on what specific programs are being impacted as a result of the unallocated budget reductions. Approximately \$12 million General Fund is proposed for reduction across all of the Resources Agency departments for the current year and budget year combined. This is about 1 percent of all General Fund for the Resources Agency budget proposed for 2005-06. Across the board reductions reduce legislative oversight since the Legislature does not participate or oversee the reductions made internally. The Legislature may wish to request that the administration report on the programs it plans to reduce as part of the unallocated reductions.

Governor's Reorganization Plan #1 (GRP 1). The Governor has proposed an executive reorganization plan that has been submitted to the Little Hoover Commission. This reorganization plan calls for elimination of the following boards and commissions under the jurisdiction of the Resources Agency.

- Boating and Waterways Commission (within the Department of Boating and Waterways).
- Colorado River Board.
- State Board of Fire Services (within the Department of Forestry and Fire Protection).
- Board of Forestry and Fire Protection (within the Department of Forestry and Fire Protection).

- State Mining and Geology Board (within the Department of Conservation).
- Off-Highway Motor Vehicle Recreation Commission (within the Department of Parks and Recreation).
- State Reclamation Board (within the Department of Water Resources).
- California Water Commission (within the Department of Water Resources).

All of the activities of the boards and commissions proposed for elimination are expected to transfer to departments within the Resources Agency. The Legislature will want to evaluate the pros and cons of an independent board versus a department in evaluating the Governor's plan for each of these boards and commissions. The independence of a board can help ensure that mandates are achieved even when there are legislative or administration pressures to do other wise. Conversely, a department structure is generally more accountable to the administration and the Legislature than is a board structure. However, there is often less public accountability with a department since many department actions are not subject to public hearing processes. The Legislature will want to evaluate this and other factors when evaluating the merits of GRP 1.

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

Governor's Budget. The Governor's budget proposes \$58 million to support the Secretary for Resources in the budget year. This is approximately 20 percent less than the estimated level of expenditures in 2004-05. This is primarily due to the reduced level of bond funds available for appropriation. The General Fund does not support the Secretary for Resources.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Administration	\$72,423	\$58,062	-\$14,361	-19.8
Total	\$72,423	\$58,062	-\$14,361	-19.8
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Special Funds	12,750	3,069	-9,681	-75.9
Bond Funds	58,890	54,288	-4,602	-7.8
<i>Budget Act Total</i>	<i>71,640</i>	<i>57,357</i>	<i>-14,283</i>	<i>-19.9</i>
Federal Trust Fund	269	184	-85	-31.6
Reimbursements	515	521	6	1.2
Total	\$72,424	\$58,062	-\$14,362	-19.8

Highlights

Bond Funds for River Parkways Program. The Governor proposes to allocate \$38.4 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program. This proposal essentially restores funding vetoed by the Governor in the 2004-05 budget. The Governor also proposes to allocate the remaining Proposition 50 bond funds (\$51 million) over the 2006-07 and 2007-08 budget years.

Bond Funds for Sierra Nevada Cascade Program. The Governor proposes to allocate \$11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program. This proposal essentially restores funding vetoed by the Governor in the 2004-05 budget. The Governor also proposes to allocate the remaining Proposition 50 bond funds (\$11.7 million) in 2006-07.

Issues

Implementation of River Parkways and Sierra Nevada Cascade Programs. Legislation was enacted as part of the 2004-05 budget to define and guide the implementation of the River Parkways and Sierra Nevada Cascade Programs. The Legislature may wish to follow-up on the implementation of these new guidelines.

3340 California Conservation Corps

Background. The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. In addition to activities traditionally associated with the Corps, like tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

Governor's Budget. The Governor's budget proposes \$102 million to support the Corps in 2005-06. This is an increase of nearly \$30 million from current year expenditure levels due to increases in capital outlay projects funded by the Public Buildings Construction Fund. General Fund support for this program is proposed to remain relatively the same as in the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Training and Work Program	\$72,613	\$60,249	-\$12,364	-17.0
Capital Outlay	0	42,449	42,449	0.0
Administration	6,480	6,480	0	0.0
<i>less distributed administration</i>	-6,480	-6,480	0	0.0
Unallocated Reduction	0	-378	-378	0.0
Total	\$72,613	\$102,320	\$29,707	40.9
Funding Source				
General Fund	\$23,749	\$24,130	\$381	1.6
Collins-Dugan California Conservation Corps Reimbursement Account	29,420	31,745	2,325	7.9
Other Special Funds	607	598	-9	-1.5
Bond Funds	8,410	3,398	-5,012	-59.6
<i>Budget Act Total</i>	<i>62,186</i>	<i>59,871</i>	<i>-2,315</i>	<i>-3.7</i>
Reimbursements	10,428	0	-10,428	-100.0
Public Buildings Construction Fund	0	42,449	42,449	0.0
Total	\$72,614	\$102,320	\$29,706	40.9

Highlights

Corpsmember Population to Increase. The Governor proposes to serve 1,550 annualized corpsmembers in 2005-06. This is 175 more corpsmembers than are estimated to be served in the current year. The majority of the proposed expansion of the corpsmember population is funded by an increase in reimbursements from the Collins-Dugan Reimbursement Account (\$3.3 million).

Ukiah Facility Proposed to Reopen. The Governor proposes to restore funding for the Corps' residential center in Ukiah. This facility was slated to close in the current year due to General Fund reductions. The center is reopened due to increases in reimbursements from the Collins-Dugan Reimbursement Account. The Governor also proposes to restore 14 positions to restore adequate staffing to the Ukiah facility.

Restoration of Evening Education and Training Program. The Governor proposes to restore funding for the Corps' evening education and training program statewide. This program had

been reduced significantly over the past few years due to budget reductions and vacancy sweeps. The Governor proposes to restore 20 positions and provide contract funding that will enable the Corps to hire temporary help to address peak workload needs. These restorations are funded by increases in reimbursements from the Collins-Dugan Reimbursement Account.

Issues

Collins-Dugan California Conservation Corps Reimbursement Account. The augmentations to the Corps' program are proposed to be funded by an increase in reimbursements from the Collins-Dugan Reimbursement Account. Reimbursements are received by the Corps for work performed through contract with other state agencies, local governments, and other entities. Therefore, increased reimbursements rely on the department's ability to negotiate and complete reimbursement contract obligations. The Legislature may want to evaluate the administration's plans for increasing reimbursable contracts by \$3.3 million to ensure that proposed increases in the corpsmember population are adequately funded.

Fuel Reduction and Fire Training Reimbursement Project. The 2004-05 budget included \$1.5 million to the Corps to fund a fuel reduction and fire training program. This project included using \$310,000 in Workforce Investment Act funds, \$625,000 in Proposition 40 bond funds from the California Department of Forestry and Fire Protection, and \$545,000 in reimbursements from work performed by the corpsmembers to fund fuel reduction in the Sierra Nevada and provide fire suppression training for about 75 corpsmembers. The Legislature may want to follow up on the implementation of this project.

3460 Colorado River Board

Background. The Colorado River Board (CRB) of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations regarding the Colorado River and its management.

Governor's Budget. The Governor's budget proposes \$1.2 million to support CRB in the budget year. This is approximately the same level of funding estimated for expenditure in the current year. Funding for this program was transferred exclusively to reimbursements from local water agencies in the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
State Operations	\$1,224	\$1,237	\$13	1.1
Total	\$1,224	\$1,237	\$13	1.1
Funding Source				
General Fund	\$0	\$0	\$0	0.0
<i>Budget Act Total</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0</i>
Reimbursements	1,224	1,237	13	1.1
Total	\$1,224	\$1,237	\$13	1.1

Highlights

Colorado River Board Proposed for Elimination. The Governor is proposing to eliminate the Colorado River Board as part of the Governor's Reorganization Plan #1 (GRP 1). The GRP 1 proposes to transfer the activities of the board to the Department of Water Resources.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's budget proposes \$915 million to support DOC in the budget year. This is approximately 5 percent less than estimated current-year expenditures due to one-time expenditures in the recycling program and a reduction in the amount of bond funds available for land conservation programs. General Fund support for this program is approximately \$4.9 million which is 22 percent more than in the current year due to a technical budget adjustment.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Geologic Hazards and Mineral Resources Conservation	\$23,528	\$27,276	\$3,748	15.9
Oil, Gas, and Geothermal Resources	15,208	16,594	1,386	9.1
Land Resource Protection	40,528	21,855	-18,673	-46.1
Beverage Container Recycling and Litter Reduction	886,268	849,551	-36,717	-4.1
Administration	10,621	11,329	708	6.7
<i>less distributed administration</i>	<i>-10,621</i>	<i>-11,329</i>	<i>-708</i>	<i>0.0</i>
Unallocated Reduction	0	-62	-62	0.0
Total	\$965,532	\$915,214	-\$50,318	-5.2
Funding Source				
General Fund	\$3,969	\$4,865	\$896	22.6
Special Funds	914,744	879,467	-35,277	-3.9
Bond Funds	35,684	19,581	-16,103	-45.1
<i>Budget Act Total</i>	<i>954,397</i>	<i>903,913</i>	<i>-50,484</i>	<i>-5.3</i>
Federal Trust Fund	1,713	1,730	17	1.0
Bosco-Keene Renewable Resources Investment Fund	831	858	27	3.2
Reimbursements	8,590	8,713	123	1.4
Total	\$965,531	\$915,214	-\$50,317	-5.2

Highlights

State Mining and Geology Board Proposed for Elimination. The Governor is proposing to eliminate the State Mining and Geology Board as part of his Governor's Reorganization Plan #1 (GRP 1). The Board serves as a regulatory, policy, and appeals body representing the state's interests in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation of lands following surface mining activities. The GRP 1 proposes to transfer the activities of the board to the DOC.

Issues

Williamson Act--Review of Cancellation Assessment. Last year, legislation was enacted to create a procedure for formally reviewing the county assessor's determination of the current unrestricted fair market value of land subject to a Williamson Act contract proposed for cancellation. Specifically, Chapter 794, Statutes of 2004 (SB 1820, Machado) allows DOC to request formal review from the county assessor if the department believes the current fair market valuations are inaccurate. The Governor's budget does not specifically provide additional funding to support this activity. Therefore, the Legislature may wish to inquire as to how DOC plans on reviewing Williamson Act contracts proposed for cancellation in the budget year.

Improving the Effectiveness of the Williamson Act. The Legislative Analyst's Office (LAO) has recommended in the past the gradual elimination of payments to local governments for the local revenue losses associated with Williamson Act contracts, citing substantial weaknesses in the program's effectiveness of preserving open space. The limits placed on property tax growth by Proposition 13 have reduced the effectiveness of the Williamson Act in preserving open space since property taxes have a relatively small financial impact and only marginally affect decisions to buy or develop real estate. The Legislature may wish to consider evaluating alternatives for increasing the effectiveness of the Williamson Act in preserving open space. One option would be to increase the penalties assessed for canceling a Williamson Act contract, thereby providing a greater incentive to keeping land in contract and preserving open space.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's budget proposes \$877 million to support CDF in the budget year. This is approximately \$6.5 million more than is estimated for expenditure in 2004-05, which is primarily due to proposed budget augmentations to the department's fire suppression activities. The General Fund support for this program is \$531 million, which is a \$16.5 million increase over the current year, primarily due to the fire suppression augmentations.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$13,271	\$13,793	\$522	3.9
Fire Protection	712,755	748,543	35,788	5.0
Resource Management	49,680	47,555	-2,125	-4.3
Capital Outlay	96,260	73,808	-22,452	-23.3
Administration	58,095	59,060	965	1.7
<i>less distributed administration</i>	<i>-57,665</i>	<i>-58,630</i>	<i>-965</i>	<i>0.0</i>
Unallocated Reduction	-1,401	-6,696	-5,295	0.0
Total	\$870,995	\$877,433	\$6,438	0.7
Funding Source				
General Fund	\$513,865	\$530,639	\$16,774	3.3
Special Funds	8,780	8,683	-97	-1.1
Bond Funds	9,379	9,296	-83	-0.9
<i>Budget Act Total</i>	<i>532,024</i>	<i>548,618</i>	<i>16,594</i>	<i>3.1</i>
Federal Trust Fund	34,739	31,309	-3,430	-9.9
Forest Resources Improvement Fund	853	4,625	3,772	442.2
Bosco-Keene Renewable Resources Investment Fund	3,757	0	-3,757	-100.0
Timber Tax Fund	30	30	0	0.0
Public Building Construction Fund	90,370	68,004	-22,366	-24.7
Reimbursements	209,223	224,847	15,624	7.5
Total	\$870,996	\$877,433	\$6,437	0.7

Highlights

Funding for Fire Protection Equipment and Services. The Governor's budget proposes \$15.2 million General Fund to fund fire protection equipment purchases and improve service contracts used in fire protection efforts. Approximately \$10.8 million is proposed to replace fire engines and eleven firefighting helicopters, \$2.9 million to upgrade radio equipment with narrowband capable equipment, and \$1.5 million to cover cost increases in CDF's aircraft services and logistical support contracts.

Year-Round Staffing for Southern California. The Governor's budget proposes \$9 million General Fund to support staffing San Diego, Riverside, and San Bernardino counties with three firefighters year round.

Federal Funds for Fuels Management and Biomass Utilization. The Governor's budget proposes authority to spend federal funds for treatment of forest fuels in Southern California (\$3.8 million) and to improve utilization of biomass waste created by fuel management projects (\$840,000).

Emergency Fire Suppression. The Governor's budget proposes \$95 million General Fund for emergency fire suppression. This is \$25 million more than the amount traditionally budgeted for this activity. Statute provides the administration with broad authority to allocate additional funding for emergency fire suppression without legislative approval, and actual emergency fire suppression costs have traditionally exceeded the \$70 million budgeted over the past few years. For example, \$184 million General Fund was expended on emergency fire suppression in 2003-04 and \$120 million is estimated to be expended in the current year.

Forest Resources Improvement Fund Assumes Revenues from State Forests. The Governor's budget estimates that \$7 million in revenue will be generated from the sale of forest products harvested on state forest land in the budget year. The budget proposes to expend \$4.6 million of these revenues on forestry programs. The state has received only a minimal amount of revenues from timber harvesting on state forests over the past several years because of the continued lawsuit restricting timber harvesting in Jackson State Forest. This proposal assumes some resolution of the current moratorium on harvesting in this forest.

Board of Forestry and Fire Protection Proposed for Elimination. The Governor is proposing to eliminate the Board of Forestry and Fire Protection as part of his Governor's Reorganization Plan #1 (GRP 1). The board is responsible for developing the general forest policy of the state. The board is responsible for guiding the policies of the department and representing the state's interest in federal forestland in California. The GRP 1 proposes to transfer the activities of the board to CDF.

State Board of Fire Services Proposed for Elimination. The Governor is proposing to eliminate the State Board of Fire Services as part of his GRP 1. The board is a 17-member advisory board to the California State Fire Marshal. The Board is comprised of representatives of fire service labor, fire chiefs, fire districts, volunteer firefighters, city and county government, Office of Emergency Services, and the insurance industry. The Board is chaired by the California State Fire Marshal. The Board provides a forum for addressing fire protection and prevention issues of statewide concern; develops technical and performance standards for training of fire service personnel; accredits curriculum; establishes policy for the certification system for the California Fire Service; advises the State Fire Marshal on dissemination of regulations; and sits as an appeals board on the application of California State Fire Marshal regulations. The GRP 1 proposes to transfer the activities of the board to CDF.

Issues

Fair Funding of State Fire Protection Activities. The state is responsible for fire protection of approximately one-third (31 million acres) of wildlands, which are areas deemed state responsibility areas (SRAs). The SRA the department protects is mainly privately owned forestlands, watersheds, and rangelands. The state does not have primary responsibility for fire

protection of structures, as this responsibility belongs to local fire protection entities. However, during fire events the state works collectively with the locals to defend life and property along with its wildland protection responsibilities. Defending life and property increases fire protection costs significantly and as more people move in and around the state's wildlands, costs associated with defending wildlands and structures increases.

The budget proposed by the Governor in 2004-05 contained revenues from a SRA fire fee. This fee was to be levied on private landowners in SRAs to partially offset the state's costs of fire protection services benefiting these landowners. However, these fees were repealed as part of the 2004-05 enacted budget. One argument against these fees was that many landowners already pay a local fire assessment. Therefore, paying a state fire assessment would result in charging a landowner twice for fire protection. However, since the locals are only responsible for protection of structures, this local assessment only covers activities related to protecting structures. Therefore, landowners do not contribute funds to protect wildlands (except through general income taxes paid by all Californians). The Legislature may wish to evaluate a funding structure that requires some contribution by landowners to fund the state's protection of privately owned wildlands.

Jackson State Forest Issues Still Unresolved. The Governor vetoed legislation (SB 1648, Chesbro) in 2004 that would have provided temporary relief to the moratorium on timber harvesting at Jackson State Forest. However, since the Governor vetoed this legislation, the department will have to produce an EIR that satisfies the court overseeing the lawsuit and the plaintiff in the case in order for timber to be harvested on Jackson State Forest in the budget year. Since the department has not completed the required EIR it is not certain whether the revised plan will satisfy the court or the plaintiff. This results in uncertainty regarding the ability of the department to harvest at Jackson State Forest and collect sufficient revenues to support important state forestry programs. Revenues generated from timber harvesting on state forests is the primary funding source for the department's forestry programs. The Legislature may wish to consider diversifying the funding sources for the state's forestry programs. Revenues from the state's forests should be one source, but harvesting on state forestland is subject to great uncertainty and does not correlate with state forestry program needs.

Unallocated Reduction. The Governor's budget proposes an unallocated reduction of \$1.4 million General Fund in the current year and \$6.7 million General Fund in the budget year. It is unclear how this reduction will impact the department's budget. However, given the significant increases proposed to the fire suppression budget, it is likely that these reductions will disproportionately impact forestry activities at the department.

Fuels Management Activities. The Legislature approved \$39 million Proposition 40 bond funds for fuel reduction activities in the Sierra Nevada in the current year. As part of this proposal statute was enacted to restrict the diameter of the trees (16 inches or less) to be harvested as part of the fuel reduction activities. The administration is requesting additional funding (\$3.8 million federal funds) for fuel reduction activities and fire restoration for Southern California. The Legislature may wish to follow up on the implementation of the fuel reduction activities in the Sierra Nevada, including the department's implementation of the statute guiding the fuel reduction activities. The Legislature may also consider requiring similar restrictions to the fuel reduction activities in Southern California.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's budget proposes \$298 million to support DFG in 2005-06. This is a 19 percent reduction from the current year primarily due to a reduction in the amount of bonds available for appropriation in the budget year. General Fund support for this department is approximately \$37 million, which is nearly the same level of funding in the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$189,090	\$127,220	-\$61,870	-32.7
Hunting, Fishing, and Public Use	44,524	45,642	1,118	2.5
Management of Lands and Facilities	45,617	43,570	-2,047	-4.5
Conservation Education and Enforcement	50,347	50,933	586	1.2
Spill Prevention and Response	32,914	30,694	-2,220	-6.7
Capital Outlay	2,848	0	-2,848	-100.0
Administration	33,233	33,756	523	1.6
less distributed administration	-33,233	-33,756	-523	0.0
Unallocated Reduction	-322	-569	-247	0.0
Total	\$365,018	\$297,490	-\$67,528	-18.5
Funding Source				
General Fund	\$37,839	\$37,307	-\$532	-1.4
Special Funds	153,090	143,059	-10,031	-6.6
Bond Funds	73,824	9,252	-64,572	-87.5
<i>Budget Act Total</i>	<i>264,753</i>	<i>189,618</i>	<i>-75,135</i>	<i>-28.4</i>
Federal Trust Fund	65,262	66,656	1,394	2.1
Reimbursements	32,470	38,819	6,349	19.6
Salton Sea Restoration Fund	2,529	2,392	-137	-5.4
Harbors and Watercraft Revolving Fund	5	5	0	0.0
Total	\$365,019	\$297,490	-\$67,529	-18.5

Highlights

Budget Funds Marine Life Protection Act. The Governor has proposed \$500,000 from the Environmental License Plate Fund to fund continued work on the design and management of marine protected areas statewide.

Additional Funding to Enhance Land Management. The budget provides \$2.2 million from federal and bond funds for various projects to manage and enhance lands owned by the department. Federal funds will be used to fund erosion control and vegetation management on department-owned properties in San Diego County that pose a fire threat.

Funding for Fishing Programs. The Governor proposes \$1.3 million to fund an expansion of the state's Fish Health Program that inspects imported fish and fish for planting into public waters to minimize the impact of diseases on native species. The budget also includes funding for a Central Valley angler survey that is needed to continue to allow recreational fishing in the presence of listed species on the federal Endangered Species Act.

Issues

Implementation of Marine Life Protection Act. The Governor has proposed funding to implement the Marine Life Protection Act (MLPA) that requires the development of a plan for establishing networks of marine protected areas in California's waters. The administration has formed a Blue Ribbon Task Force to prepare statewide guidelines for developing a marine protected area master plan, create a pilot project along the Central Coast, develop a funding strategy for long-term implementation of the MLPA, and make recommendations for improving the coordination of marine protected areas with federal activities. The Legislature may wish to follow-up on the status of the department's implementation of the MLPA, including a specific timeline for completing the plan for establishing a network of marine protected areas.

Problems with Streambed Alteration Permitting Program. The department is responsible for implementing a streambed alteration permitting program (1600 permits). The department has been critically under staffed to deal with the workload of this program. Permits often do not get adequate review before they are issued and processing of these permits can be significantly delayed. The department has statutory authority to recover its costs associated with processing these permits from the permit applicants. However, to date the department has been unsuccessful in recovering costs associated with this program. The Legislature may wish to evaluate actions that may assist the department in cost recovery efforts so that permits are reviewed adequately and processed in a timely manner.

Timber Harvest Plan Review Statewide. During 2004 budget hearings the department reported that it would no longer be able to review timber harvest plans in the Sierra Nevada due to budget reductions. The Legislature may wish to review the adequacy of funding to support the department's resources for reviewing timber harvest plans. The DFG's review of the plans is critical to maintaining this CEQA equivalent process.

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve an advisory capacity to the board.

Governor's Budget. The Governor's budget proposes \$29 million for WCB in 2005-06, which is over a 95 percent reduction from the current year. This reduction is due to a significant reduction in the bond funds available for appropriation. General Fund support for this board is \$200,000, which about the same level of funding as in the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
State Operations	\$6,045	\$6,122	\$77	1.3
Capital Outlay	742,417	23,096	-719,321	-96.9
Unallocated Reduction	0	-3	-3	0.0
Total	\$748,462	\$29,215	-\$719,247	-96.1
Funding Source				
General Fund	\$200	\$197	-\$3	-1.5
Special Funds	35,000	6,220	-28,780	-82.2
Bond Funds	698,117	21,798	-676,319	-96.9
Budget Act Total	733,317	28,215	-705,102	-96.2
Reimbursements	10,144	1,000	-9,144	-90.1
Oak Woodlands Conservation Fund	5,000	0	-5,000	-100.0
Total	\$748,461	\$29,215	-\$719,246	-96.1

Highlights

Habitat Conservation Fund Acquisitions. The Governor proposes \$21 million for acquisition, restoration, and enhancement of habitat from the Habitat Conservation Fund. This funding is required by Proposition 117, the California Wildlife Protection Act of 1990 that among other things requires an annual General Fund transfer to the Habitat Conservation Fund unless other funding sources are available. The administration proposes to use Proposition 50 bond funds to satisfy this obligation in the budget year.

Issues

Tidelands Oil Revenues. During the 2004 budget process it was discovered that the administration had forecast a relatively low level of tidelands oil revenues based on oil prices at the time. The Legislature estimated that approximately \$40 million in additional tidelands oil revenues would be available in 2004-05 and allocated a portion of these additional funds to the following priorities: (1) \$500,000 to the Marine Life Protection Act; (2) \$165 million to the General Fund; (3) \$10 million to ocean projects and \$2.7 million to parks projects in the City of Los Angeles; (4) \$6.5 million for salmon and steelhead restoration; (5) \$1.5 million for environmental review of stream flow requirements on mid-California coastal streams; and (6) \$4 million for fish hatchery operations. Nevertheless, to date the administration has only allocated funding for the Marine Life Protection Act and the General Fund. The other legislative priorities may not be funded due to a successful appeal by the City of Long Beach to keep tidelands oil revenues owed to the state. Without this payment from the City of Long Beach, tidelands oil revenues may not be sufficient to fund all of the legislative priorities despite increases due to higher than expected oil prices. The Legislature may want to continue to pursue getting more tidelands oil revenues in the current year. However, additional funding sources for these activities should also be explored.

Conservation Easements. The Legislature may wish to review the use of conservation easements as a means for preserving open space and critical habitat. The WCB's Hearst Ranch acquisition that continues to be considered for final approval is one of the largest conservation easement transactions in the nation. This easement transaction has been the target of some criticism regarding the level of protection provided by the terms of the easement. The Legislature may wish to evaluate the use of conservation easements in preserving open space and critical habitat and consider actions that will strengthen the resource protection and the state oversight of conservation easements.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's budget proposes \$72 million to support DBW, which is approximately the same level of funding estimated for expenditure in the current year. The department is not supported by the General Fund.

Summary of Expenditures (dollars in thousands)				
	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$48,246	\$51,145	\$2,899	6.0
Boating Operations	15,921	16,056	135	0.8
Beach Erosion Control	1,238	1,417	179	14.5
Capital Outlay	6,432	3,380	-3,052	-47.5
Administration	2,327	2,338	11	0.5
less distributed administration	-2,327	-2,338	-11	0.0
Total	\$71,837	\$71,998	\$161	0.2
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Abandoned Watercraft Abatement Fund	500	500	0	0.0
Budget Act Total	500	500	0	0.0
Federal Trust Fund	9,427	8,111	-1,316	-14.0
Reimbursements	1,015	1,015	0	0.0
Harbors and Watercraft Revolving Fund	60,895	62,372	1,477	2.4
Total	\$71,837	\$71,998	\$161	0.2

Highlights

Funding Provided for Public Small Craft Harbor Loans. The Governor proposes \$19 million in special funds for loans to develop marinas and expand and rehabilitate existing marinas.

Funding Provided for Launching Facility Grants. The Governor proposes \$12 million in special funds for grants for the construction of launching ramps and other facilities used when launching boats.

Boating and Waterways Commission Proposed for Elimination. The Governor is proposing to eliminate the Boating and Waterways Commission as part of his Governor's Reorganization Plan #1 (GRP 1). The Boating and Waterways Commission advises the Department of Boating and Waterways and provides consent of all the loans and grants made by the department to boating facilities. The GRP 1 proposes to transfer the activities of the board to DBW.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's budget proposes \$15.5 million to support the commission in the budget year. This is approximately the same level of funding as estimated for expenditure in the current year. General Fund support for this program is approximately the same level as estimated for expenditure in 2004-05.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Coastal Management Program	\$14,876	\$14,751	-\$125	-0.8
Coastal Energy Program	906	797	-109	-12.0
Administration	1,633	1,619	-14	-0.9
less distributed administration	-1,514	-1,538	-24	0.0
Unallocated Reduction	0	-152	-152	0.0
Total	\$15,901	\$15,477	-\$424	-2.7
Funding Source				
General Fund	\$9,797	\$9,801	\$4	0.0
Special Funds	1,362	1,360	-2	-0.1
Budget Act Total	11,159	11,161	2	0.0
Federal Trust Fund	3,020	3,032	12	0.4
Reimbursements	1,723	1,284	-439	-25.5
Total	\$15,902	\$15,477	-\$425	-2.7

Issues

Improving Coastal Access and Development Mitigation. The Legislative Analyst's Office has found that some of the California Coastal Commission's permitting practices have temporarily and may permanently reduce the public's access to the coast. Specifically, they have

found that the commission's tracking and reporting of "offers to dedicate" (OTD) could be improved. An OTD is a condition placed on a development permit in the coastal zone as mitigation for a particular development. Many OTDs provide public access to the beach or may set aside environmentally sensitive areas. However, many of these OTDs have not been accepted by the state or other entity and are unavailable for public use. An OTD is typically available to develop for a period of 21 years and many OTDs are set to expire without the full benefits of this mitigation measure being realized by the state. The Analyst's makes several recommendations for addressing the backlog of OTDs many of which are getting set to expire in the next few years, as well as improving future coastal development mitigation. The Analyst's recommendation includes increasing the commission's current fee structure to bring it more in line with permit fees at other local permitting agencies. Additional funding would help cover the costs of developing more OTD properties so that the state can benefit from these mitigation measures.

3760 State Coastal Conservancy

Background. The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

Governor's Budget. The Governor's budget proposes \$69 million to support SCC in the budget year. This is approximately \$217 million less than estimated for expenditure in the current year due to a reduction in the amount of bond funding available for appropriation. The SCC is not supported by the General Fund.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Coastal Resource Development	\$4,659	\$4,744	\$85	1.8
Coastal Resource Enhancement	3,335	4,610	1,275	38.2
Capital Outlay	278,260	59,577	-218,683	-78.6
Administration	2,905	3,174	269	9.3
less distributed administration	-2,905	-3,174	-269	0.0
Total	\$286,254	\$68,931	-\$217,323	-75.9
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Special Funds	12,925	2,050	-10,875	-84.1
Bond Funds	236,894	57,248	-179,646	-75.8
Budget Act Total	249,819	59,298	-190,521	-76.3
Federal Trust Fund	4,415	2,125	-2,290	-51.9
Reimbursements	27,065	1,920	-25,145	-92.9
State Coastal Conservancy Fund	4,954	5,588	634	12.8
Total	\$286,253	\$68,931	-\$217,322	-75.9

Highlights

California Ocean Protection Act Funded. The Governor proposes \$1.2 million from the Environmental License Plate Fund to support the California Ocean Protection Council created by Chapter 719, Statutes of 2004 (SB 1319, Burton). This council will be responsible for coordinating activities of state agencies that are related to the protection and conservation of coastal waters and ocean ecosystems and improving the effectiveness of state efforts to protect ocean resources.

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of

trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Governor's Budget. The Governor's budget proposes \$430 million for DPR in 2005-06, which is a 60 percent reduction from expenditure levels in the current year. This decrease is due to a reduction in the bond funds available for park projects in the budget year. General Fund support for DPR is proposed to increase by 16 percent in the budget year due to additional funding to implement the American's with Disabilities Act transition plan and employee compensation increases.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$299,803	\$337,503	\$37,700	12.6
Local Assistance Grants	461,166	44,087	-417,079	-90.4
Capital Outlay	305,063	49,643	-255,420	-83.7
Unallocated Reduction	0	-1,567	-1,567	0.0
Total	\$1,066,032	\$429,666	-\$636,366	-59.7
Funding Source				
General Fund	\$86,768	\$100,976	\$14,208	16.4
Special Funds	255,426	208,309	-47,117	-18.4
Bond Funds	612,948	52,805	-560,143	-91.4
Budget Act Total	955,142	362,090	-593,052	-62.1
Federal Trust Fund	70,952	29,052	-41,900	-59.1
Reimbursements	39,221	37,575	-1,646	-4.2
Harbors and Watercraft Revolving Fund	717	689	-28	-3.9
California Missions Foundation Fund	0	260	260	0.0
Total	\$1,066,032	\$429,666	-\$636,366	-59.7

Highlights

American Disabilities Act Implementation. The Governor's budget includes \$11.2 million General Fund to continue implementation of the American's with Disabilities Act (ADA) transition plan. This is year four of the multi-year effort to modify park properties to comply with ADA.

Funding for Hearst Acquisition. The Governor's budget includes \$1.3 million General Fund for staffing and operating expenses to provide management and protection to the 800 acres west of Highway 1 that will be owned by the state as part of the Hearst Ranch acquisition. Funds would also be used to cover costs associated with allowing public access on conservation easement areas of the coast that are not owned by the state including San Simeon Point and Ragged Point.

Increased Parks Fees to Pay for Water Infrastructure Upgrades. The Governor proposes to raise state park fees to cover costs associated with upgrading outdated water and wastewater systems at various state park facilities. These upgrades are required to comply with state water quality and drinking water requirements.

Stanford Mansion Opens for Business. The Governor proposes \$1.8 million in reimbursement funding for the department to operate the newly restored Stanford mansion, including providing resource protection, public access, educational tours, and protocol events for the Governor and Legislature.

Off-Highway Motor Vehicle Recreational Commission Proposed for Elimination. The Governor is proposing to eliminate the Off-Highway Motor Vehicle Recreational Commission as part of his Governor's Reorganization Plan #1 (GRP 1). The commission was created by the Legislature in 1982 to allow public input and provide policy guidance for the OHV program. The Commission's duties include: allocating funds for OHV capital outlay expenditures and OHV grants and cooperative agreements; certifying environmental impact reports; and considering adverse impacts on property in the vicinity of State Vehicle Recreation Areas, and recommending measures to the Division to reduce those impacts. The GRP 1 proposes to transfer the activities of the commission to DPR.

Recreational Trails Committee Proposed for Elimination. The Governor is proposing to eliminate the Recreational Trails Committee as part of his Governor's Reorganization Plan #1 (GRP 1). The committee advises the Director of DPR on the preparation and maintenance of a statewide system of recreational trails, coordinates trail planning and development throughout the state, and studies the utilization of various lands for recreational trail use. The GRP 1 proposes to transfer the activities of the committee to DPR.

Issues

Funding Ongoing Maintenance at State Parks. The state parks system has been greatly expanded over the past few years due to resources bond funds that have allocated millions of dollars for new property acquisition. However, while there have been significant bond funds to buy new properties there has been less funding available for ongoing maintenance and operations of the state parks. The Legislature may wish to evaluate different options for funding ongoing maintenance of the state park system so that generations of Californian's can enjoy the facilities.

Fee Program Report. The administration proposed a radically new park fee structure as part of the 2004-05 budget. This new fee structure was based on market mechanisms so that fees at parks that were in highest demand were increased more in proportion to less popular parks. The department also proposed to manage the fee schedule dynamically to adjust for changes in the market for recreation and the parks system. The Governor's 2005-06 budget includes a proposal

to increase the fees by an additional \$7 million to cover maintenance costs to water systems at several of the state parks. The Legislature requested the department to report on the results of implementing this new approach to fees as part of the 2004-05 budget. The Legislature may wish to evaluate this report and determine whether the new approach to fees is working without negative consequences.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage the receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy section of this report.)

Governor's Budget. The Governor's budget proposes \$6.4 billion for DWR in the budget year, which is about 4 percent less than estimated for expenditure in 2004-05. This reduction is due to a lower level of energy expenditures in the budget year. General Fund spending for the department is proposed at \$113 million, which is a 160 percent increase over the current year level. This large increase is due to an increase in funding to reimburse local governments for the lining of the All-American canal and augmentations to the department's flood management programs.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
California Water Plan	\$300,289	\$335,912	\$35,623	11.9
State Water Project Infrastructure	261,388	262,134	746	0.3
Public Safety and Prevention of Damage	76,869	93,269	16,400	21.3
Services	5,766	7,205	1,439	25.0
California Energy Resources Scheduling	5,671,248	5,339,741	-331,507	-5.8
Capital Outlay	308,686	319,354	10,668	3.5
Administration	63,700	63,700	0	0.0
<i>less distributed administration</i>	<i>-63,700</i>	<i>-63,700</i>	<i>0</i>	<i>0.0</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
Unallocated Reduction	0	-576	-576	0.0
Total	\$6,620,233	\$6,353,026	-\$267,207	-4.0
Funding Source				
General Fund	\$43,029	\$112,951	\$69,922	162.5
Special Funds	9,785	9,857	72	0.7
Bond Funds	320,021	313,741	-6,280	-2.0
<i>Budget Act Total</i>	<i>372,835</i>	<i>436,549</i>	<i>63,714</i>	<i>17.1</i>
Federal Trust Fund	11,430	11,900	470	4.1
State Water Project Funds	528,176	533,731	5,555	1.1
DWR Electric Power Fund	5,670,759	5,339,741	-331,018	-5.8
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	-100.0
Reimbursements	37,013	31,105	-5,908	-16.0
Total	\$6,620,233	\$6,353,026	-\$267,207	-4.0

Highlights

Proposal to Finance Litigation Settlement with Bonds. The Governor proposes to finance a pending \$464 million General Fund settlement of flood-related litigation (*Paterno v. State of California*) against the state by issuing a judgment bond in the budget year. The debt service on the bond would be funded from the General Fund beginning in 2006-07. Both the settlement and

the terms of this bond have not been finalized and implementing trailer bill legislation is anticipated to authorize the bond. Judgment bonds have never been issued to finance judgment obligations by the state, but they have been used by local governments.

Expansion of Flood Management Programs. The Governor's budget proposes first year funding of a multi-year plan to improve flood management in California and reduce state liability associated with the Sacramento and San Joaquin flood control projects. The plan includes \$9.7 million General Fund for flood project maintenance, system reevaluation and rehabilitation, emergency response, and floodplain management. In addition, the administration has also issued a white paper proposing actions to address the potential flood liabilities facing the state. The paper proposes to examine flood insurance requirements and consider the creation of a California flood insurance fund. The administration also proposes the creation of a Central Valley flood control assessment district with the authority to assess fees to provide adequate flood control protection for regional participants. Finally, the Governor recommends exempting flood control projects from inverse condemnation liability and exempting local flood control districts from the Proposition 218 two-thirds voting requirement.

Funds Allocated to Line All-American Canal. The Governor's budget includes \$59 million General Fund to reimburse local water districts for costs associated with lining the All-American Canal. State funding for this activity was part of the Quantification Settlement Agreement related to reducing California's dependence on the Colorado River.

Additional Bond Funds Proposed for Expenditure. The Governor proposes allocation of \$165.5 million in bond funds from Propositions 13, 50, and 204 resources bonds. These bond funds are for state operations to implement specified projects and local assistance grant programs. The bond funds are allocated to the following programs consisted with allocations specified in the bond acts.

- Integrated Regional Water Management Grants (\$47.9 million Proposition 50).
- CALFED Water Use Efficiency Program (\$34 million Proposition 50).
- Desalination Grant Program (\$21.3 million Proposition 50).
- Yuba Feather Flood Protection Program (\$21 million Proposition 13).
- Drinking Water Quality—Pilot Projects (\$11.7 million Proposition 50).
- CALFED Surface Storage (\$10.6 million Proposition 50).
- Sacramento Valley Water Management Program (\$8.5 million Proposition 204).
- CALFED Water Supply Reliability (\$7 million Proposition 50).
- CALFED Conveyance Program—South Delta Hydrodynamic Investigation (\$1 million Proposition 13).
- CALFED Watershed Grant Program (\$857,000 Proposition 50).
- CALFED Conveyance Program—South Delta Fish Facility Improvements (\$800,000 Proposition 50).

- CALFED Conveyance Program—Tracy Fish Test Facility (\$712,000 Proposition 50).
- Floodplain Mapping (\$254,000 Proposition 50).

Additional Bond Funds for South Delta Improvement Program. The Governor proposes \$26.6 million from Proposition 13 for the final design and construction costs for the South Delta Improvement Program.

Funding for Central Valley Flood Projects. The Governor proposes \$16.7 million General Fund for various capital outlay flood control projects in the Sacramento and San Joaquin Valleys. Funding is allocated for the following projects:

- South Sacramento County Streams (\$4.3 million).
- Sacramento River Bank Protection Project (\$5.6 million).
- American River Common Features Project (\$3.6 million).
- Terminus Dam, Lake Kaweah Project (\$2.8 million).
- Various Real Estate Transactions (\$401,000).

State Reclamation Board Proposed for Elimination. The Governor is proposing to eliminate the State Reclamation Board as part of his Governor's Reorganization Plan #1 (GRP 1). The Board is responsible for flood management in the Central Valley (along the Sacramento and San Joaquin rivers). The Central Valley has the most extensive flood management system in the state since the entire valley floor regularly flooded before its development. The SRB administers a permit and enforcement program for development within the Central Valley's floodplains. The GRP 1 proposes to transfer the activities of the board to DWR.

California Water Commission Proposed for Elimination. The Governor is proposing to eliminate the California Water Commission as part of GRP 1. The commission reports to the DWR director in an advisory role. Statute requires the commission to approve the department's regulations, and hold hearings and make recommendations regarding State Water Project development. The commission's main activity in more recent years has been to lobby on behalf of the state for federal appropriations. The GRP 1 proposes to transfer the activities of the commission to DWR.

Issues

Funding Flood Management Activities. The administration has put forward several recommendations for improving the state's ability to fund flood control in the Central Valley over the long-term. The Legislature should evaluate these and other options carefully to put in place a more rational funding structure for flood management statewide and especially in the Central Valley. *Paterno v. State of California* has made the state potentially liable for damages resulting from any levee failure within the Sacramento River flood control area. This is a huge financial liability that the state is currently not equipped to finance. Furthermore, there is a rising risk of levee failure as the system continues to age and maintenance programs are badly underfunded. The potential impacts on people and property of even a single failure are large. For example, the recent levee break on the Upper Jones track cost the state nearly \$100 million to

repair and it mainly impacted agricultural land. The costs would be substantially more if one of the growing urban communities in the Central Valley were inundated by a levee break. The administration has recommended ten strategies for dealing with California's flood crisis. The Legislature will want to evaluate these strategies along with other alternatives and enact a rational strategy for funding flood management for the short and long term in order to avoid disasters that would cost the state far more to deal with.

3870 California Bay-Delta Authority

Background. Pursuant to a federal-state accord signed in 1994, CALFED was administratively created as a consortium of state and federal agencies that have regulatory authority over water and resource management responsibilities in the Bay-Delta region. The CALFED program now encompasses 12 state and 13 federal agencies. The objectives of the program are to (1) provide good water quality for all uses; (2) improve fish and wildlife habitat; (3) reduce the gap between water supplies and projected demand; and (4) reduce the risks from deteriorating levees.

After five years of planning, CALFED began to implement programs and construct projects in 2000. The program's implementation—which is anticipated to last 30 years—is guided by the "Record of Decision" (ROD). The ROD represents the approval of the lead CALFED agencies of the final environmental review documents for the CALFED "plan." Among other things, the ROD lays out the roles and responsibilities of each participating agency, sets goals for the program and types of projects to be pursued, and includes an estimate of the program's costs for its first seven years. In the ROD, these costs are projected to total \$8.5 billion for the program's first seven years (2000-01 through 2006-07). This amount has recently been revised upward to \$9.2 billion.

The California Bay-Delta Authority (CBDA) oversees the CALFED program. Among the duties of CBDA are the annual review and approval of long-term expenditure plans of the implementing agencies and the preparation of a comprehensive program budget proposal.

Governor's Budget. The Governor's budget proposes \$37 million to support BDA in 2005-06, which is \$128 million less than estimated expenditure levels in the current year. This decrease is primarily due to the reduction in bond funds available for appropriation.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
CALFED Program	\$165,099	\$36,691	-\$128,408	-77.8
Unallocated Reduction	0	-132	-132	0.0
Total	\$165,099	\$36,559	-\$128,540	-77.9
Funding Source				
General Fund	\$8,437	\$8,522	\$85	1.0
Bond Funds	135,136	11,151	-123,985	-91.7
<i>Budget Act Total</i>	<i>143,573</i>	<i>19,673</i>	<i>-123,900</i>	<i>-86.3</i>
Federal Trust Fund	5,000	0	-5,000	-100.0
Reimbursements	16,526	16,886	360	2.2
Total	\$165,099	\$36,559	-\$128,540	-77.9

CALFED Program Proposal. The Governor proposes \$150 million to fund the CALFED program in the budget year. This is 63 percent less than estimated for expenditure in 2004-05. The decrease is primarily due to a reduction in bond funds available for appropriation. In addition, federal funds have not been budgeted for the 2006 fiscal year and the CALFED's 10-year financing plan has scaled back planned funding for the program. The table below provides a summary of the entire CALFED program, including funding by program element, state department, and fund source.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Expenditures by Program Elements				
Ecosystem Restoration	\$101,076	\$28,390	-\$72,686	-71.9
Environmental Water Account	32,526	27	-32,499	-99.9
Water Use Efficiency	35,176	47,220	12,044	34.2
Water Transfers	604	604	0	0.0
Watershed	28,612	4,736	-23,876	-83.4
Water Quality	17,389	3,186	-14,203	-81.7
Levees	21,778	18,805	-2,973	-13.7
Storage	105,282	271	-105,011	-99.7
Conveyance	34,868	28,024	-6,844	-19.6
Science	21,871	9,676	-12,195	-55.8
Water Supply Reliability	1,834	1,834	0	0.0
Oversight and Coordination	7,407	7,493	86	1.2
Total	\$408,423	\$150,266	-\$258,157	-63.2
Expenditures by Department				
Department of Water Resources	\$274,864	\$120,028	-\$154,836	-56.3
California Bay-Delta Authority	31,102	19,673	-11,429	-36.7
State Water Resources Control Board	23,532	1,179	-22,353	-95.0
Department of Fish and Game	75,276	5,828	-69,448	-92.3
Department of Forestry and Fire Protection	240	150	-90	-37.5
Department of Conservation	3,321	3,321	0	0.0
San Francisco Bay Conservation Development Commission	88	88	0	0.0
Total	\$408,423	\$150,267	-\$258,156	-63.2
Expenditures by Fund Source				
General Fund	\$11,970	\$12,055	\$85	0.7
Proposition 204	1,575	6,649	5,074	322.2
Proposition 13	145,496	47,621	-97,875	-67.3
Proposition 50	207,254	70,819	-136,435	-65.8
State Water Project	40,004	10,959	-29,045	-72.6
Other State Funds	2,124	2,164	40	1.9
Federal Funds	56,495	0	-56,495	-100.0
Total	\$464,918	\$150,267	-\$314,651	-67.7

Highlights

Budget Includes Framework for 10-Year Financing Plan. The Governor's budget includes a 10-year finance plan for the CALFED Bay-Delta Program. This plan reduces dependency on the General Fund and calls for new revenue sources to support the program. The plan identifies priorities, funding needs and beneficiaries for all CALFED activities. The plan calls for a reduction in the overall size of the program for the next 10 years and reduces average annual program costs from \$1.3 billion to \$807 million. The state's overall contribution is reduced from 59 percent to 30 percent over the 10-year period and the federal contribution is increased from 7 percent to 21 percent. The water user and local contribution are also proposed to increase from 33 percent to 49 percent and the plan identifies potential water user fees to support this increase. The funding allocations proposed in the Governor's 10-year financing plan are summarized below.

10-Year Funding Allocations by Beneficiary (dollars in millions)	State	Federal	Water Users	Local Match	Total Funding
Program Element					
Ecosystem Restoration	\$542	\$408	\$400	\$150	\$1,500
Environmental Water Account	180	135	123	0	438
Water Use Efficiency	575	530	0	2,048	3,153
Water Transfers	6	0	0	0	6
Watershed	196	161	0	66	423
Water Quality	81	72	17	106	276
Levees	186	175	32	53	446
Storage	292	36	9	750	1,087
Conveyance	109	6	71	0	186
Science	167	151	109	10	437
Oversight and Coordination	74	47	0	0	121
Total Dollars	\$2,408	\$1,721	\$761	\$3,183	\$8,073
Total Percentage	30%	21%	9%	39%	100%

The Governor's budget proposal does not include specific legislative proposals to implement new water user fees and other financing mechanisms that may need legislative action. The administration plans on submitting the details on implementation of their proposal in the Governor's May Revision.

Issues

10-Year Financing Plan Needs Legislative Review. This plan represents the first real step in putting forward a more sustainable plan for financing the CALFED program. This plan reduces reliance on state funds for support of the program and also implements to some extent the beneficiary pays philosophy. This plan represents a big step towards implementing the Record of Decision and funding the program based on the beneficiary pays principle. Nevertheless, the Legislature will want to evaluate the allocation of benefits among the different beneficiaries and

how the different elements of the plan will be funded. Specifically, the Legislature may want to evaluate the proposed timing of user contributions to the CALFED program and whether other priorities should be included in the CALFED program. In addition, the Legislature needs to address a plan for prioritizing expenditures if federal funds are not realized on the schedule envisioned by the 10-year financing plan. Furthermore, the Legislature will need to review the administration's proposals for user fees when they are released in May.

Science Program Report. The Legislature requested BDA to prepare a report on a plan to develop a research agenda to determine the amount of water needed for the full recovery of delta dependent fish species. The Legislature may wish to review this report and determine whether the science program has a viable plan for making these determinations.

Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created eight regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, which are charged with among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

Governor's Budget. The Governor's budget proposes \$54 million for the state's eight regional conservancies. This is 55 percent less than estimated expenditures in the current year due to a reduction in the amount of bond funds available for appropriation.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
3125 - California Tahoe Conservancy	\$37,655	\$24,820	-\$12,835	-34.1
3810 - Santa Monica Mountains Conservancy	29,667	10,217	-19,450	-65.6
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	13,185	5,015	-8,170	-62.0
3830 - San Joaquin River Conservancy	359	374	15	4.2
3835 - Baldwin Hills Conservancy	25,812	9,065	-16,747	-64.9
3845 - San Diego River Conservancy	490	274	-216	-44.1
3850 - Coachella Valley Mountains Conservancy	10,890	505	-10,385	-95.4
3855 - Sierra Nevada Conservancy	0	3,357	3,357	0.0
Total	\$118,058	\$53,627	-\$64,431	-54.6

Highlights

Initial Funding Provided for Sierra Nevada Conservancy. The Governor proposes to fund start-up activities for the new Sierra Nevada Conservancy created by Chapter 726, Statutes of 2004 (AB 2600, Laird/Leslie). The Governor proposes \$3.4 million from the Environmental License Plate Fund to support these activities.